

Imperial Irrigation District's Community Advisory Commission

Majority Report

Background and Commission Qualifications

In August 1998, the Imperial Irrigation District (IID) Board of Directors appointed a Community Advisory Commission (Commission) to 1) Assess possible community benefits and impacts of the IID's Water Conservation Plan; 2) Recommend possible community impact mitigation measures and; 3) Memorialize its work for consideration in the Environmental Impact Report (EIR) process.

For the past three years, this group has spent several hundred hours analyzing the ramifications of the proposed water conservation transfer program between IID and San Diego County Water Authority (San Diego). During the course of its deliberations, the Commission has arguably become the most informed group of lay people regarding the water issues in our region. While not professional water experts or economists, they bring a diverse background of experience and perspectives from their respective professions that have contributed to the discussion of socio-economic impacts of the transfer.

The Commission has been made up of elected officials, county and city department heads, representatives from the business community, agriculture and leadership from Community-Based Organizations. Two of its current members are former IID directors who were deeply involved in negotiating the water transfer. Although there have been a number of membership changes over the course of the Commission's work, there has been a strong core that has been involved from the beginning. Attachment A is a complete list of current members.

At the beginning, the Commission held meetings on a twice per month basis. That evolved into a schedule of once per month until 2001 when meetings became less frequent as the group awaited the long-delayed EIR-EIS. One of the first steps taken by the Commission was development of a work plan (Attachment B.) The Commission also has acted as an information conduit and sponsored a number of public presentations on the transfer. Most meetings have generated media coverage, thereby assisting in the overall education process. Virtually all have elicited spirited discussions. Prior to the release of the EIR-EIS, the Commission also held a number of meetings with experts from a number of different fields, developing an expertise in the various socio-economic issues involved in the transfer. It also made a number of public outreach efforts to gather information (Attachment C). Attachment D is the information developed by the Commission that was included in the EIR-EIS scoping process.

Recently, the Commission has accelerated its work upon the completion and distribution of the EIR by CH2MHill, Inc. The Commission has examined the EIR, and, with the concurrence of the Board, contracted with a consultant to examine the underlying assumptions and the conclusions of the draft EIR/EIS study.

Most recently, on March 27, 2002, the Commission invited members of the public to hear representative agencies discuss the water transfer agreement. Approximately 100 members of the public attended. Serious questions were raised by the public and by environmental representatives regarding the adequacy of the environmental justice aspects

of the EIR. This issue is a matter of grave importance and must be given additional study to determine the consequences of the water transfer agreement upon the Imperial Valley. So too, is the failure to recognize agriculture tail water as a beneficial use for sustaining a significant economic and recreational area as well as an environmental sanctuary, the Salton Sea. The Salton Sea cannot be dismissed under any circumstances.

Conclusions and Recommendations

In accomplishing its duties, as stipulated by the IID Board Resolution 17-98, it is not the responsibility of the Commission to recommend a specific water conservation plan. That is the duty of the elected board of directors. It is our function to evaluate impact, benefits and mitigation measures from the various plans that have been put forward. Those options will be discussed elsewhere in this report.

However, there have been many questions raised in the community about whether any water should be transferred at all or whether this transfer should be renegotiated.

Imperial Valley has been a prudent steward of its water resources for more than a century. Its irrigation system has converted an arid desert region into a \$1 billion per year agriculture industry that helps feed the world. Imperial Valley agriculture also provides a diverse wildlife habitat that is one of the most prolific in the United States. Realities of population expansion in the coastal plain and limited water resources, however, dictate the need for transfers, as long as they can be accomplished in a way that serves both the needs of Imperial Valley citizens and those regions receiving the water.

Therefore, the Commission recommends that the IID Board conditionally approve the water transfer agreement. The transfer agreement must meet the following conditions. Should the following conditions not be achieved to the satisfaction of the IID Board, the transfer should be renegotiated.

(1) Environmental Justice issues, which have not been adequately addressed in the draft EIR/EIS, must be thoroughly evaluated. The environmental justice issues raised by the public, the Commission and the environmental groups must be addressed.

(2) A complete scientific assessment must be conducted into the health and air quality issues that have been raised due to potential exposure of some of the Salton Sea lakebed. Funding for this study and, if necessary, mitigation, must not be the responsibility of the IID or the people of the Imperial Valley, including farmers.

(3) The IID Board should develop a specific transfer plan that incorporates an Economic Development Plan that does not just “make the Imperial Valley whole” but actually improves the quality of life in this region. The economic development plan should have elements that mitigate any impacts to employment caused by the transfer as well as long range objectives to leverage the transfer into an expansion of the Valley’s economic base. The Farm Bureau Conservation Plan, as well as some alternative following proposals discussed below, warrant additional analysis by appropriate professionals to enable the District to select the most viable conservation program. All of these should factor in economic impacts if inflows are maintained for the Salton Sea, to provide a true picture of the socio-economic realities.

(4) It is unreasonable for Imperial Valley residents to risk their businesses, livelihoods or farms to transfer water to other users. Therefore, it is essential that we have indemnity against surprises resulting from unforeseen claims to mitigate or pay for impacts to people, property or the environment resulting from good-faith fulfillment of our contractual obligations. The IID and the people of the Imperial Valley, including farmers, must be “held harmless” from any future costs of litigation or judgments stemming from environmental problems caused by the transfer.

(5) Other parties (e.g., San Diego, Coachella Valley Water District (CVWD), federal, and/or state government) should bear any costs to mitigate any impacts due to the transfer, including property in communities along the Salton Sea that are impacted due to the transfer.

(6) It is also necessary that the cost of any measures farmers are required to take to mitigate impacts of the transfer be included in the IID’s off-ramp limits.

(7) Since the contract is subject to abrupt, premature termination, it is essential that conservation measures be financed on a pay-as-you-go basis.

(8) The agreement must ensure that the people of Imperial Valley be made whole in the event there is an early termination of the contract. It should commit in advance sufficient funds to cover all un-recovered costs incurred by the IID, participating farmers and any other entity involved in the transfer.

(9) Landowners’ rights to receive water should never be diminished without fair compensation. Fair compensation should also be made to any property owner whose land value is diminished due to the transfer.

(10) San Diego must drop efforts to develop a new aqueduct from the Colorado River to Tijuana/San Diego.

(11) The transfer should benefit all the landowners and farmers and they should be treated fairly and equitably. Incentives from conservation taking place on the farm should benefit the farm that conserves the transferred water.

(12) All parties agree to seek legislation to provide favored tax status for the sale of any farmland to IID or its agent to meet water transfer requirements. Landowners shall be afforded reasonable tax treatment such as transfer of cost basis or condemnation status under both federal or state taxes.

Environmental Justice

Environmental Justice plays a key role in any of the deliberations regarding the transfer between IID and San Diego.

Environmental Justice, which is enforced by the Environmental Protection Agency, became a factor in any federal project through Executive Order 12898 signed in 1994 by President Clinton. It did not go away with the change in administration. The Bush Administration has reinforced its provisions.

EPA “has a firm commitment to the issue of environmental justice and integration into all programs, policies and activities, consistent with existing environmental laws and their implementing regulations,” EPA Administrator Christine Todd Whitman wrote in a memo August 9, 2001 to all EPA offices and administrators.

She added, “In the National Environmental Policy Act of 1969 (NEPA), Congress could not have been any clearer when it stated that it shall be the continuing responsibility of the federal government to ensure for all Americans safe, healthful, productive and aesthetically and culturally pleasing surroundings.

In the words of the EPA, “The goal of environmental justice is to ensure that all people, regardless of race, national origin or income, are protected from disproportionate impacts of environmental hazards. To be classified as an environmental justice community, residents must be a minority and/or low income group; excluded from the environmental policy setting and/or decision-making process; subject to a disproportionate impact from one or more environmental hazards; and experience a disparate implementation of environmental regulations, requirements, practices and activities in their communities.

“Environmental justice is about real people facing real problems and designing practical solutions to address challenging environmental issues...”

The Draft EIR-EIS erroneously dismissed Environmental Justice as a factor in the transfer.

This error was explained by CIC Research, Inc. (CIC): “In general the Environmental Justice analysis performed by the... (the EIR/EIS) ...is superficial and inappropriately applied (Attachment F). Specifically, the community-level impact analysis was inappropriate for this project. The Consultant on the draft EIR/EIS for the Proposed IID Water Conservation and Transfer Project should redo the Environmental Justice analysis based on the potential region-wide disproportional impacts to minority and low-income households resulting from the water transfer program. Furthermore, the Consultant should then provide recommendations for informational outreach to the impacted population and possible mitigation measures.”

The complete CIC analysis of Environmental Justice is enclosed as Attachment F.

It should be noted that while Environmental Justice impacts are dismissed in the draft EIR/EIS for the water transfer, the Bureau of Reclamation and the Salton Sea Authority considered it significant in the draft EIR/EIS for the Salton Sea Restoration Project as they pertain to a “no action alternative.” This report was released in January 2000.

“With the No Action Alternative, significant socio-economic impacts are expected as a result of declining recreational and other economic uses of the Sea. Job losses would likely be in the service industry. Therefore, there may be a disproportionate adverse impact to low-income populations.” (Para 4.19.4).

It added that this would occur in current as well as reduced inflow conditions.

The draft EIR/EIS has stated that the reduced inflows to the Sea, due to the transfer, would simply exacerbate an already existing situation. If Environmental Justice issues existed under reduced inflow scenarios discussed in the Salton Sea Restoration EIR/EIS draft, shouldn't they exist when the situation is exacerbated due to the transfer?

The potential of health issues due to air quality deterioration from either a partially-exposed lake bed at the Salton Sea or fallowing in the agricultural areas of the Valley, could create additional Environmental Justice issues.

Stuart Hurlbert, Professor of Biology and Director of the Center for Inland Waters at San Diego State University, commented at the San Diego public hearing into the transfer that “It is not acceptable to simply pass the costs of water supply development on to other regions simply because they have less political power.”

In order to adequately explore the Environmental justice issues, the impacts to Imperial Valley as a whole should be compared to the impacts and benefits to the regions receiving the water.

Environmental Justice issues, which have not been adequately addressed in the draft EIR/EIS, must be thoroughly evaluated.

Proposed Alternatives: To Fallow or Not To Fallow?

Regardless of the method(s) by which water is ultimately conserved, the decision comes down to an evaluation of the impacts and mitigation for on-farm and system conservation or fallowing --or a combination of those alternatives.

There are a number of unknown factors in all of the conservation methods currently under discussion. For example, San Diego has promoted information stating Imperial Valley will eventually receive an annual revenue stream of \$50 million. Meanwhile, others have questioned the adequacy of that amount when conservation costs are factored in to the equation.

The Commission has chosen to evaluate three methods of conservation:

- The framework of a system/on-farm plan developed by the IID;
- A temporary fallowing plan developed by the Imperial County Farm Bureau that would ultimately lead to on- farm conservation; and,
- A fallowing plan put forward that would allow the IID or another agency to purchase the land to be fallowed and use it for economic development purposes.

The IID System/On-Farm Plan

CONCEPT

This alternative relies upon voluntary participation by landowners for on-farm irrigation system improvements in the water service area to deliver the necessary water to San Diego, CVWD and Metropolitan Water District (MWD). While details of this plan have not been fully refined, the IID states its basic principles are that it is voluntary, incentive-driven, fair, simple, flexible, prohibits fallowing, provides for improved service, is verifiable and is ownership-based.

- In the first eight years, water would be conserved by system projects and on-farm conservation. These would include lateral interceptors, system automation, a new reservoir in the East Mesa and seepage recovery. This would directly conserve 100,000 acre-feet per year. While not necessarily acknowledged by the IID, the Farm Bureau Plan has estimated that an additional 70,000 acre feet could be conserved annually on-farm due to system improvements. This would be water conserved through little or no investment by the landowners.
- The conservation agreements would be between the IID and landowners. Landowners would make whatever arrangements are necessary with their tenants for conservation. Factoring in the system improvements stated above, any amount over 100,000 acre-feet that is to be transferred must be conserved through the IID-landowner agreements.
- The Landowner would select the measures used to conserve the water, yet fallowing is specifically prohibited. To date, the IID has not defined fallowing.
- Participating landowners would reduce their measured deliveries below a baseline amount. There would be no relaxation or intensification of current IID rules and regulations regarding tail water, the 15-point conservation program, or reasonable and beneficial use regulations.
- Revenue from this program would be split with 10 percent coming to the IID for expenses, 85 percent to participating landowners and 5 percent to the community for the 200,000 acre-feet conserved on farm. It is assumed the IID would receive the revenue from the 100,000 acre-feet directly conserved from system improvements.

BENEFITS AND IMPACTS

The IID program is intended to meet the obligations of the water transfer and the quantification agreement and still protect the local economy through its prohibition of fallowing as well as its use of the income it generates.

The IID would use its 10 percent to pay for administration, environmental mitigation, lost water and power sales, cost recovery of transfer legal expenses, and the EIR/EIS costs.

The 85 percent of the revenue going to the landowners, according to the IID, can be used for capital costs of conservation, annual operation and maintenance of the conservation systems and for incentives to participate. Capital costs could range from \$110 to \$150 per acre-foot and O&M from \$70 to \$95 per acre-foot.

Therefore, depending upon what those costs would be, incentive amounts could range from a negative (\$33.35) per acre-foot saved to a high of \$31.65 per acre-foot.

The community would receive 5 percent of the transfer revenue for the 200,000 acre-feet conserved on-farm, which could be used for community betterment, economic development or to mitigate effects of any reduced farm production discussed below.

This plan by the IID is intended to produce positive impacts and certainly avoid the negative economic impacts from fallowing for the core of Imperial Valley.

There is, however, potential for serious environmental and socio economic consequences to the Salton Sea and the surrounding communities. The non-fallowing alternatives also raise significant questions regarding air quality and health, which have yet to be resolved. There is no water included for the Salton Sea from this proposal; all of it would be used for the transfer. Mitigation for environmental consequences to the Salton Sea is limited to IID's contractual obligations. Its assumption apparently is that any mitigation of impacts there would be covered by other agencies.

Other concerns about this plan are expressed below:

1. Because there are no requirements for the landowner to implement on-farm water conservation efficiencies--only an agreement to reduce water deliveries from a baseline amount--it leaves landowners free to choose any conservation method. That could include reduction of farm production, which would be an equivalent to fallowing. Landowners will most likely choose the option with the highest economic reward.
2. If landowners choose to simply reduce their production, a worst-case scenario is that 130,000 of the 300,000 acre-feet of water conserved annually would be produced by an equivalent of fallowing--with the resulting negative community impacts. This assumes that the estimate of the Farm Bureau is correct that 70,000 acre-feet can be conserved on farm due solely to IID system improvements. In an even worse scenario--if the Farm Bureau is incorrect--up to the full 200,000 acre-feet potentially could be saved through this unintended fallowing. If either of these situations were to occur, the 5 percent of the transfer revenue going to the community would be insufficient to cover the projected impacts.
3. The IID plans to allocate water to the landowners based on a five-year historical usage of water to farms. This would determine how much water a farm was entitled to and how much money the farmer might receive from transfer payments. This plan has created a lot of controversy. The IID had been trying for years with different plans to get farmers to use less water. This penalizes those who were cooperating and who were frugal with their water. It rewards those who used more water. Those with sandy ground end up with a lot more water than those with heavier ground. The point is that this method of allocation is unfair and is going to give some landowners a substantial benefit over others.
4. The IID has not offered a complete overall financial evaluation of its plan, factoring in all elements including the impact of the quantification agreement.
5. The draft EIR/EIS also does not adequately analyze the benefits, if any, to the economy from Salton Sea Recreation. Current use figures should be used to evaluate any recreational benefits of the Salton Sea and its communities to the Imperial and Coachella valleys. The draft EIR/EIS cites a 1987 CIC study that showed the Sea's recreational industry in 1987 resulted in about \$80 million in annual business output. Those figures are too old to have any relevance except as historical comparisons. A complete economic study should be conducted to evaluate how the transfer would impact the Salton

Sea, especially if it results in an acceleration of its becoming a hyper-saline lake.

6. An additional economic study should be conducted to determine whether a shrunken Salton Sea would stimulate expansion of geothermal electric generation along the shore of the lake. An evaluation should be made whether this could help mitigate some of the recreational and/or environmental impacts noted above.
7. The aesthetic aspects of a much-reduced Sea could create disincentives for regional economic development.

CIC offers some financial scenarios that should be considered in any future fiscal analysis of conservation methods. The full CIC report is attached as Attachment E.

According to CIC, lower prices paid by CVWD and MWD under the Quantification Agreement, coupled with state and federal taxes, would substantially reduce net revenue from the transfer. CIC calculated that an average \$87.2 million in annual revenue would dwindle to \$1.5 million to cover IID Program costs with 300,000 acre-feet conserved from non-fallowing plans.

CIC discusses the following as for conservation of the minimum to meet the QSA -- 230,000 acre-feet (100,000 acre-feet to CVWD and MWD and 130,000 acre-feet to San Diego):

“(With) \$50.5 million in average annual revenue and the draft EIR/EIS analysis of \$35.8 million in annual conservation costs plus \$18.4 million in annual farmer payments, the program ends up \$3.7 million short of paying for itself.” (CIC page 5).

CIC notes that by boosting San Diego amount to 200,000 acre-feet and receiving the MWD price for the other 100,000 acre-feet, the extra \$11.5 million makes the program workable. Convincing CVWD to pay MWD’s prices may be problematic. There is also an indirect benefit to businesses in the community by the “multiplier effect” on money spent in the community by the IID for system improvements and by farmers for conservation.

MITIGATION

If IID’s assumptions are correct that there could be an economic benefit to the Imperial Valley from the use of transfer funds for on-farm conservation and few if any negative socio-economic impacts to the core of Imperial Valley, then it follows that most of the funds from the transfer should go to participating farmers because most of the risk for on-farm conservation would be incurred by landowners.

Negative socio-economic impact would be to Salton Sea-area residents and to the recreation industry in that region. Other parties (e.g., San Diego, CVWD, federal, and/or state government) should bear any costs to mitigate any impacts due to the transfer, including property in communities along the Salton Sea that are impacted due to the transfer.

Imperial Valley residents, including public agencies such as cities, the county and the IID, should not be financially responsible for any air quality, biological, or economic impacts due to physical changes in the Salton Sea.

If there is a loss to the farm economy due to simply cutting back production, there could be an equally negative socio-economic impact to the core of the Imperial Valley.

If agricultural production is to be maintained and water use efficiency improved, farm conservation incentives must be related to water use efficiency and the IID must institute a mechanism that will enforce the following prohibition in the rules.

It is unreasonable for Imperial Valley residents to risk their businesses, livelihoods or farms to transfer water to other users. Therefore, it is essential that we have indemnity against surprises resulting from unforeseen claims to mitigate or pay for impacts to people, property or the environment resulting from good-faith fulfillment of our contractual obligations. The IID and the people of the Imperial Valley, including farmers must be “held harmless” from any future costs of litigation or judgments stemming from environmental problems caused by the transfer.

The Farm Bureau Plan: A Conservation Program with Transitional Fallowing

CONCEPT

Perhaps the most detailed proposal has been put forward by the Imperial County Farm Bureau, enclosed as Attachment G. It is a program for conserving all of the project water through system and on-farm conservation. Conservation methods would be financed by using a temporary fallowing program.

The basic components of the plan include:

1. System improvements (including lateral interceptors and mid-lateral reservoirs) to capture canal spills and permit farmers to reduce tail water.
2. A positive, voluntary incentive program to increase farms' water use efficiency by reducing tail water (with meters where needed) and reducing infiltration on fields with the highest infiltration rates.
3. Implementing special conservation projects where practical.
4. Utilizing research and extension to help farmers identify and implement more efficient and effective water use practices to get the most efficiency and production from the available water.
5. A Debt Avoidance / Inadvertent Over-Run Avoidance Program administered by IID.

IID would acquire control (by lease, purchase or option) of enough farmland to keep IID's total water use (including transfers) within its 3.1 MAF Colorado River entitlement and to help provide funds to implement its conservation program without incurring debt, either public or private.

BENEFITS AND IMPACTS

The preliminary funds analysis of the Farm Bureau Plan assumes \$90 million in annual revenue from the transfer by year 20 of the agreement. Funds would be used to finance the system improvements, on-farm conservation costs, incentives, meters, environmental mitigation and special conservation projects. There would be an allowance of \$3 million each year for research projects.

This plan would produce positive impacts and certainly avoid the negative economic fall-out from permanent fallowing. There is potential for serious environmental and socio-economic consequences to the Salton Sea and the surrounding communities. Any non-fallowing alternative also raises significant questions regarding air quality and health effects from a partially exposed Salton Sea lakebed. Those questions have not been resolved.

There is no water included for the Salton Sea in the Farm Bureau Plan. All of it would be used for the transfer. Mitigation for environmental consequences to the Salton Sea is limited to IID's contractual obligations. Its assumption is that any mitigation of impacts would be covered by other agencies.

While not addressing the Farm Bureau Plan specifically, CIC did analyze non-fallowing in a generic sense.

The full CIC report is attached as Attachment E.

It should be noted the revenue figures analyzed by CIC are not the same as those used by the Farm Bureau. IID officials have said some of the revenue figures used in the EIR/EIS were understated. The difference amounts to a \$10 million annual variation by the 20th year of the agreement. With the Farm Bureau Plan, there are indications that, if spent effectively, the revenue from the transfer would cover the costs of conservation, as well as provide new jobs as the plan evolves in the form of on-farm, system, research, and construction employment.

Comments stated above in the discussion of the IID System/On-Farm Plan dealing with CIC's economic findings and the potential impacts to the Salton Sea also apply to any analysis of the Farm Bureau Plan.

MITIGATION

In view of the fact there may be an economic benefit to the Imperial Valley from the use of transfer funds for conservation, there may be few, if any, negative socio-economic impacts to the core of Imperial Valley; and since most of the risk for on-farm conservation would be incurred by farmers, most of the funds from the transfer should go to participating farmers.

Since this plan includes transitional fallowing in the early years, there will be impacts to employment that would last during the fallowing phase. This could be mitigated by an investment from San Diego of up-front funds to either develop severance programs and/or re-training programs for workers who are affected.

As for the Salton Sea, other agencies (e.g. San Diego, federal and/or state government) should bear any costs to mitigate any impacts due to the transfer, including property in communities along the Salton Sea that are impacted due to the transfer. Specifically, Imperial Valley residents, including public agencies such as cities, county and

the IID, should not be financially responsible for any air quality, biological, or economic impacts due to physical changes in the Salton Sea. The major negative socio-economic impact would be to Salton Sea-area residents and to the recreation industry in that region.

The Following Alternative(s)

CONCEPT

The perception of fallowing of Imperial Valley farm land for water conservation purposes has traditionally meant allowing farmers to take land out of production—either permanently or on a temporary basis (through crop rotation or other means)—and allowing them to sell the water to San Diego.

Any fallowing plan, especially permanent fallowing, has the potential for producing the most negative direct socio-economic impacts of any alternative with very few corresponding direct positive impacts in the Imperial Valley. Net transfer funds would presumably go to the landowners, many of who do not live in Imperial Valley, thereby reducing the total amount of transfer revenue to the Imperial Valley economy. The only exception is the Salton Sea, and communities around the Sea, which would not be significantly impacted.

Landowner-based fallowing plans do not discriminate between marginal or highly productive land, do not ensure that revenues would be used in capital investment in Imperial Valley, could create adverse impacts on land values, and because land is fallowed for up to 75 years, could create air quality and health issues. Additionally, economic forces and the participants would dictate what land is fallowed. There is no assurance that the land taken out of production would be marginal, low crop value ground. Permanently fallowed land would have no water available for future uses, including municipal and industrial uses.

With the exception of the Farm Bureau Plan (discussed above) that temporarily takes land out of production to build capital for long-range on farm conservation measures, the only realistic reason to fallow ground would be to prevent environmental impacts to the Salton Sea. The cost in jobs in the central portion of the Valley has been estimated to range from 500 to 1,400 jobs.

However, there are several other alternatives that have been proposed to mitigate the impacts of the transfer on the Salton Sea, on the environment and on the local economy. Both of the alternatives discussed below warrant more economic study.

1. Purchase of Land to be fallowed by the IID and held in trust

This alternative is a hybrid plan that has been suggested by El Centro Businessman Larry Bratton and El Centro Mayor Larry Grogan. The only difference in the two plans is the timing of land acquisition. Mr. Bratton advocates the IID acquiring and fallowing the land through a phased purchase as the ramp up progresses. The land would be held by the IID in trust for future economic development purposes (i.e. using the land for a cargo airport). Mr. Grogan has suggested acquiring the entire amount of land projected to be needed at the outset and temporarily leasing some of it back to agricultural production. In both plans, land

would be taken out of production according to the ramp up schedule. If the fallowed land were to be used for municipal, residential, commercial and/or industrial development purposes that required water, additional acres would need to be fallowed to provide water for the transfer.

2. Fallowing through natural economic expansion

One area that has not been addressed is land that is being taken out of production due to the natural growth of the Valley over the next 40 years. During the next four decades, according to projections by the State Department of Finance, the population of the Valley in 2040 will be slightly over 504,000. This represents an increase of 349,500 that will result in an estimated increase in housing units of 100,000 over the present inventory of almost 44,000.

Based upon housing density of four homes per acre, it is estimated that upwards of 25,000 acres will be taken out of agricultural production over the next 40 years for residential development. While we understand that this may be reduced when multi-family dwellings are included, it should be more than offset by future expansion of commercial and industrial development. Additionally, we realize that these homes also will use water, so any savings is not on a 1:1 basis.

Using a figure of 50 percent savings of water currently used on that land (with the remainder used by the housing), by 2040, water would be available for transfer that would equal 12,000 acres of fallowed ground.

If these assumptions are correct, an equivalent of 25 percent of the necessary agricultural land will be taken out whether there are transfers or not. Steps should be taken to ensure that water from this ground is credited in the transfer. If the growth progression continues at the state-predicted level for 75 years, it is estimated that the fallowed agricultural land equivalency for water transfers would be 23,000 acres. With improvements in water conservation measures over the next 75 years, that “economically fallowed” land could yield even more water for other purposes.

Whether the water from this land would become fully available for the transfer would depend upon a number of factors, including farming practices. Agricultural water has gradually increased due to double cropping, higher water use crops, and more intensive farming resulting from continued reclamation of farmland. It is possible that much of this savings would be needed for agricultural uses.

This issue has not been mentioned in any economic evaluations of the transfer and it should be evaluated.

BENEFITS AND IMPACTS

Depending upon the selection of crops to be impacted, fallowing could produce the most negative direct socio-economic impacts of any conservation program with few corresponding direct positive impacts in the core of Imperial Valley. Therefore, fallowing must be temporary or as a result of beneficial normal crop rotation. The only permanent fallowing that can be allowed to occur must be economic fallowing, which is taking farmland

out of production because it is being developed for commercial or industrial purposes that creates job opportunities and economic growth for the Imperial Valley.

However, it is recognized that fallowing is also the most environmentally neutral option to the Salton Sea as it would lessen the potential socio-economic impacts to residents of the communities in the Salton Sea area, including the Torres-Martinez Indian tribe.

With that said, the Commission developed a rough analysis using financial information from the draft EIR/EIS in an attempt to give a comprehensive financial profile for the proposed fallowing plans. One caveat is a position that the Commission has long held from the outset of its work. The Commission believes that an insufficient financial analysis has been done or the analysis that has been offered has used incomplete or old data. With that in mind, the Commission developed two scenarios for land fallowing using the Bratton and Grogan Plans, and then factored in the “natural economic fallowing” concept. These analysis are illustrative of the type of information that should have been provided through the EIR/EIS process. More extensive economic studies must be completed by economic experts prior to implementation of any plan. Neither of our laymen’s analysis factors in the economic impacts/benefits to the Salton Sea for recreational, tourist, camping opportunities. As stated elsewhere in this report this should be thoroughly analyzed with up to date information. Our complete analysis is attached as Attachment H.

In the first analysis, which does not factor in fallowing to provide water to the Salton Sea we assume that 53,000 acres are fallowed. The analysis by Commission indicates that the net gain to the economy may be as little as \$18 million per year because most of the revenue received must offset lost agricultural production. This estimate uses the financial information from the EIR/EIS that projects in the year 2027 about \$80 million in total revenues would be received. Of that amount \$62 million would be needed to recoup crop losses from fallowing, assuming an average of \$1,166 is gross profit. The calculations are as follows: [$\$80,000,000$ less $(53,000 \times \$1,166 = \$61,798,000) = \$18,000,000$].

In the second analysis the Commission assumes that the impacts to the Salton Sea cannot and should not be ignored. Therefore, any program to transfer water must consider the Sea and its preservation because that would be the only reason a fallowing program would be implemented. We assume that 75,000 acres would be fallowed in the year 2027. Revenues generated using figures contained in the EIR equal \$80 million and crop losses equal \$87 million, resulting in losses of about \$7 million annually. [$\$80,000,000$ less $(75,000 \times \$1,166 = \$87,450,000) =$ loss of $\$7,450,000$ annually]. Of major significance is that in virtually all of the 75-year period there are net losses to the Imperial Valley ranging from \$12-\$17 million annually.

Any economic analysis should factor in the use of fallowed land for economic development. The foregoing analysis does not account for the need for residual water for use by commercial, industrial or residential development; therefore, additional land may have to be fallowed to provide for that purpose.

MITIGATION

The IID Board should develop a specific transfer plan that incorporates an Economic Development Plan that does not just “make the Imperial Valley whole” but actually improves the quality of life in this region. The economic development plan should have elements that

mitigate any impacts to employment caused by the transfer as well as long-range objectives to leverage the transfer into an expansion of the Valley's economic base. With the potentially serious impacts from fallowing threatening the local economy, it is imperative that any funds from fallowing be used to create new jobs to replace those that are lost. Funds for economic development activities and job creation, and training if necessary, should be provided to local governments directly responsible for this work in the Imperial Valley.

The land taken out of production, if owned by the IID, could be used as economic incentives to attract new industry such as a cargo airport, dairies or other commercial and industrial enterprises that are compatible for our region. We must also recognize and take advantage of emerging technologies that use agriculture products and convert them to renewable energy sources such as sugar cane to ethanol. In view of the potential land availability around the periphery of the cities (from "economic fallowing" due to natural expansion), the IID should explore high water use, marginal ground near the cities as it considers which land to purchase first.

Any land from this program could be used for additional industry attraction efforts.

To help stimulate the agricultural economy, some of the transfer funds could be used to reduce water rates, thereby minimally enhancing the profitability of farm operations and encouraging expansion/employment in those operations.

In summary, more extensive economic and financial studies should be conducted using current information to determine the cost/benefits of fallowing marginal, high water-use ground and/or converting it to industrial, residential or municipal uses. A comprehensive economic development plan should then be developed to incorporate the concerns relating to fallowing of productive farmland and preservation of our quality of life and environment.

Respectfully submitted on this 25th day of April:



John R. Kershaw, Chairman, Commission

List of Attachments

- Attachment A: Community Advisory Commission Members
- Attachment B: Community Advisory Commission Work Plan
- Attachment C: Outreach Efforts and Presentations made to Commission
- Attachment D: Commission's Key Issues for EIR/EIS Scoping
- Attachment E: CIC Research, Inc. Economic Analysis Report
- Attachment F: CIC Research, Inc. Chapter on Environmental Justice
(appendix A of Economist Analysis Report)
- Attachment G: Farm Bureau Conservation Plan and Financial Analysis
- Attachment H: Bratton Plan and Financial Analysis
- Attachment I: Minority Report by Ike Adams